

Monday, 29 August 2011

**Zhaikmunai L.P.
(the "Partnership")**

H1 2011: RECORD REVENUE AND OUTSTANDING EBITDA

Zhaikmunai LP (LSE: ZKM), the oil and gas exploration and production enterprise based in north-western Kazakhstan, today provides a financial and operational review for the period from 1 January to 30 June 2011, as well as an update on its Gas Treatment Facility (GTF).

FIRST HALF 2011 SUMMARY

All figures in US\$ millions unless otherwise stated

	H1 2011	H1 2010	Change YoY	
Revenue from oil sales	125.907	74.654	51.253	+68.7%
EBITDA	73.927	43.748	30.179	+70.0%
Net income	36.011	19.577	16.434	+83.9%
Production (boepd)	9,714	7,261	2.453	+33.8%
Debt	450.000	381.677	68.323	+17.9%
Cash	139.134	95.670	43.4	+45.4%
Average realised oil price (US\$ per bbl)	109.77	77.85	31.92	+41.0%
Discount (US\$ per bbl)	15.65	14.26	1.39	+9.7%
Weighted average netback (US\$ per bbl)	94.12	63.59	30.53	+48.0%

Zhaikmunai realised very strong first half 2011 results, despite some delay in the full GTF commissioning. All financial and operational indicators show a significant improvement in relation to first half 2010 results. Start of the GTF test production triggered a hydrocarbons production growth of over 33% over the period. In addition, revenues, EBITDA and net income grew by almost 69%, 70% and 84%, respectively. Full ramp up of the GTF is expected to take place by the end of September, thereby consolidating these exceptional results into the second half of 2011.

KEY HIGHLIGHTS

- **Production:** H1 average daily production of crude oil and GTF test production of stabilised condensate, LPG and dry gas amounted to 9,714 boe/day.
- **Revenue:** Record H1 2011 revenue increased by 68,7% to US\$125.907 compared to H1 2010.
- **Test production (start: May 2011):** H1 cumulative sales of GTF test production (stabilised condensate, LPG and dry gas) amounted to US\$11.6 million (H1 2010: nil). (Note: In accordance with IFRS, sales from GTF test production are not included in the Company's revenue but are offset against expenditure.)
- **EBITDA:** H1 2011 EBITDA increased by 70.0% to US\$73.927 compared to H1 2010.

FINANCIAL HIGHLIGHTS

Revenue and EBITDA

Record revenue from oil sales stood at US\$125.907 million, an increase of 68.7% or US\$51.253 million in comparison to last year's first half (US\$74.654 million). The

continuing high oil price environment has contributed to this outstanding first half 2011 revenue. Zhaikmunai realized considerably higher netback prices as Brent prices have been well above US\$100 per barrel during the first half of 2011. Zhaikmunai's discount, on the other hand, increased by US\$1.39 per barrel to US\$15.65 per barrel, as a result of increases in rail tariffs, primarily in Russia.

EBITDA stood at US\$73.927 million, an increase of 70.0% or US\$30.179 million in comparison to last year's first half (US\$43.748 million).

Note:

In accordance with IFRS, sales from GTF test production are not included in the Company's revenue but are offset against expenditure. H1 2011 cumulative sales of GTF test production (stabilised condensate, LPG and dry gas), amounting to US\$11.6 million (H1 2010: nil) hence do not feature in the revenue and EBITDA figures reported.

Net income

Net income for the period increased 83.9% to US\$36.0 million from US\$ 19.6 million for the same period in 2010. Net income as a percentage of crude oil sales improved slightly to 28.6% as compared to 26.2% for the same period last year.

Cash

Zhaikmunai ended the first half of 2011 with US\$139.2 million of cash, of which US\$136.2 qualified as cash and cash equivalents and US\$3.0 million was restricted cash. As a result of the refinancing of its senior debt through the issuance of a bond in October 2010, Zhaikmunai no longer has any obligation to retain any of its cash in a debt service reserve account.

Cost of Sales and General and Administrative Expenses

Cost of sales increased by US\$7.7 million, or 37.0%, to US\$28.4 million compared to US\$20.7 million for the same period in 2010. General and administrative expenses increased by US\$2.0 million or 14.4% to US\$15.6 million compared to US\$13.7 million for the same period in 2010.

Hedging

On March 29, 2011 the Partnership entered into a zero-cost hedging contract covering oil sales of 2,000 bbl/day running through December 31, 2011. Based on the new hedging contract the Partnership bought a put at US\$85/bbl, sold a call at US\$125/bbl and bought a call at US\$134/bbl.

OPERATIONAL HIGHLIGHTS

Production

- H1 average daily production of crude oil and GTF test production of stabilised condensate, LPG and dry gas amounted to 9,714 boe/day;
- Q2 average daily production of crude oil and GTF test production of stabilised condensate, LPG and dry gas amounted to 12,673 boe/day representing an 88% increase over the Q1 average daily production (6,722 boe/day);
- The Oil Treatment Facility (OTF) treated H1 production originating from 11 oil wells and the Gas Treatment Facility (GTF) treated H1 production originating from 2 gas condensate wells.

Facilities

Completing the commissioning of the GTF constituted the single largest project for Zhaikmunai in the course of the first half of 2011. Over and above work on the GTF, Zhaikmunai also completed the Reservoir Pressure Maintenance System and pursued work on ancillary projects, such as the rail terminal, the infield roads and the campsite.

PSA 9TH SUPPLEMENTARY AGREEMENT SIGNED

On 12 August 2011 Zhaikmunai and the Republic of Kazakhstan Ministry of Oil and Gas signed the 9th Supplementary Agreement to Zhaikmunai's Production Sharing Agreement for the Chinarevskoye Field. The 9th Supplementary Agreement clarifies certain contractual matters in the PSA and sets out the parties' agreement regarding the scope and schedule of Zhaikmunai's obligations to finance the training of Kazakh nationals and certain other Zhaikmunai social obligations arising under the PSA.

GAS TREATMENT FACILITY (GTF) UPDATE

- Commissioning of the GTF has continued since Zhaikmunai's last financial and operational update of 27 June 2011.
- Test production of GTF products, i.e. stabilised condensate, LPG (Liquid Petroleum Gas) and dry gas has continued and these products are being sold to export and domestic offtakers.
- The commissioning of the amine unit has started thereby allowing Zhaikmunai to treat acid gas through train 1 of the GTF.
- Ramp-up production flows are currently being monitored and fine-tuned.
- Management expects to have full GTF – train 1 and train 2 – commissioned by the end of September 2011.

Commenting on the first half-year results, Kai-Uwe Kessel, CEO, said:

“Outstanding H1 revenue and EBIDTA have been made possible thanks to sustained strong Q2 results and the high oil price environment. This has further contributed to significant cash reserves. The signing of the 9th Supplementary Agreement to our PSA demonstrates Zhaikmunai's good working relationship with the government authorities in Kazakhstan. And the start of production of stabilised condensate, LPG and dry gas in May 2011 for the first time in the company's history marked a major milestone. Zhaikmunai's steady progress toward full ramp up of the GTF, including the amine tower, is most encouraging. We are looking forward to complete the full commissioning of both trains of the GTF by the end of September 2011.”

CONFERENCE CALL

Zhaikmunai's management team will be available for a Q&A session for analysts and investors on Wednesday, 31 August at 14:00 UK time (BST or GMT + 1:00).

If you would like to participate in this call, please register by email using the following email address: investor_relations@zhaikmunai.com. Please provide your ID details (name, title, company, email address and telephone number) in order to receive dial-in details.

Further information

For further information please visit www.zhaikmunai.com

Download this [press release's pdf file](#)
Download the [H1 2011 Consolidated Financial Statements](#)
Download the [H1 2011 Management Report](#)

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About Zhaikmunai

Zhaikmunai is an independent oil and gas enterprise currently engaging in the exploration and development and production of oil and gas. It is listed on the London Stock Exchange (Ticker symbol: ZKM). Its principal producing asset is the Chinarevskoye Field located in northwestern Kazakhstan. Zhaikmunai L.L.P., a wholly-owned subsidiary of Zhaikmunai L.P., holds a 100% interest in and is the operator of the Production Sharing Agreement for the Chinarevskoye Field.

Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Partnership or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.